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FROM:
Collection Fuller, Craig: Files
Series Series IV: Subject File
File Folder Title/Casefile #/NSC # see below

Box Number OA 8991 (LEOA 30)

Description of Material:

① [Economic Program Working Group Meeting 02/12/1981
(Michael Deaver set)] ~~(1-2)~~ (1-3)

② [Economic Program Working Group Meeting 02/13/1981
(Michael Deaver set)] (1)-(3)

These are duplicates of Fuller material & clearly
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COLLECTIONS

Department of Commerce

SUBJECT: Economic Development Administration (EDA) and Regional Development Commissions

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	712	718	785	851	916	984
Outlays	605	726	764	806	885	938
Policy reduction:						
Budget Authority	-389	-686	-729	-792	-851	-970
Outlays	-50	-226	-304	-539	-673	-882
Reagan Budget:						
Budget Authority	323	32	56	59	65	14
Outlays	555	500	460	267	212	56

Change Proposed:

Funding for EDA and the Regional Commissions would be terminated starting in the second half of FY 1981. There is a lack of consistent and convincing evidence that EDA programs are cost effective and actually create new jobs and capital investment. The Regional Commissions have been poorly managed and have been involved largely with local--rather than truly regional--projects. More effective ways to promote economic development will be used: (1) The Administration's overall economic strategy of tax and regulatory reductions is a more effective way to promote private sector operations. (2) An Administration Task Force will explore the enterprise zone concept which proposes incentives for the private sector to invest in distressed areas. (3) Modest increases to the Community Development Block Grant program will be proposed. Funds provided under this program can be used in a flexible manner by county and city jurisdictions.

2/11/81,

Department of Commerce

SUBJECT: Termination of Direct Subsidies to the Maritime Industry

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	488	585	1,000	1,081	1,127	1,000
Outlays	609	630	695	785	978	1,000
Policy reduction:						
Budget Authority	-93	-160	-528	-571	-580	-400
Outlays	-11	-28	-126	-251	-420	-500
Reagan Budget:						
Budget Authority	395	425	472	510	547	500
Outlays	598	602	569	534	558	500

Change Proposed:

The Federal subsidies to support new merchant ship construction would be eliminated starting with the remaining FY 1981 funds. No new construction subsidies would be proposed for FY 1982-1986 and no new commitments for operating differential subsidies would be made. The subsidies contribute to inefficiencies in the market place and ship operations. The negative effect on shipyard employment will be offset by the expanded Navy shipbuilding program. The amounts provided for merchant ship construction contribute very little to maintenance of the shipbuilding base. As a follow-on to the President's maritime policy statements last summer, the Secretary of Commerce would convene a conference of top maritime and shipbuilding leaders to explore ways and means of formulating a maritime policy. (The resulting near-term outlay savings are small due to the Government's 20-year obligation under existing operating differential subsidy contracts.)

SUBJECT: National Oceanic and Atmospheric Administration (NOAA) Programs

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	92	184	224	262	275	268
Outlays	145	175	217	265	274	249
Policy reduction:						
Budget Authority	-9	-152	-202	-238	-250	-241
Outlays.....	-6	-59	-135	-207	-237	-223
Reagan Budget:						
Budget Authority	83	32	22	24	25	27
Outlays	139	116	82	58	37	26

Change Proposed:

In FY 1982, the Coastal Energy Impact Program (CEIP) and the Coastal Zone Management (CZM) State Grant Program would be terminated. Federal grant assistance to Sea Grant Colleges would be reduced by 50%. The development of the National Ocean Satellite System (NOSS) would be deferred indefinitely. CEIP is not necessary because project local impacts from coastal oil and gas development are not beyond the capabilities State/local actions. Coastal zone management and marine research programs are already operational in the majority of affected States. Twenty-five states (covering 78 percent of the coastline) already have received several years of federal assistance develop, implement, and administer their CZM programs. The 16 institutions designated as Sea Grant Colleges have developed marine research expertise on local/state/regional bases. While of long-term scientific importance, the global weather data to be generated by NOSS is not urgent and the project can be deferred.

SUBJECT: National Aeronautics and Space Administration

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	5534	6565	6795	5924	5315	5011
Outlays	5283	6273	6642	6185	5519	5187
Policy reduction						
Budget Authority	-85	-341	-213	+199	+521	+389
Outlays	-73	-252	-299	+23	+287	+313
Reagan Budget						
Budget Authority	5449	6224	6582	6123	5836	5400
Outlays	5210	6021	6343	6208	5806	5500

Change proposed: The proposed reductions in 1981-1983 consist primarily of deferral or deletion of new starts and elimination of low priority existing activities. In Space Transportation Systems, the Solar Electric Propulsion System would be cancelled and other reductions made consistent with space science project rephasing. In Space Science, planetary projects (e.g., Galileo to Jupiter will be delayed two years), Spacelab experiments stretched out, and the Gamma Ray Observatory cancelled. For Space Applications, and Aeronautical Research, new projects will be eliminated and some ongoing projects reduced. The reduced budget continues a viable space and aeronautics program--the NASA budget will grow by 14% (\$775 million) in 1982 over the reduced 1981 level.

SUBJECT: National Science Foundation Programs

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	1083	1181	1283	1385	1485	1580
Outlays	1007	1041	1155	1260	1366	1454
Policy reduction						
Budget Authority	-63	-66	-75	-84	-94	-101
Outlays	-26	-15	-68	-77	-87	-93
Reagan Budget						
Budget Authority	1020	1115	1208	1301	1391	1479
Outlays	981	1026	1087	1183	1279	1361

Change proposed: The proposed changes would reduce or eliminate: new programs proposed in the 1982 Carter budget (e.g. university laboratory modernization grants and the 25 meter telescope); programs that are narrowly focused (e.g. 2-4 year college research and industry-university cooperative research), and; programs that are not critical to the Foundation's principal activities in support of basic and applied research in the natural sciences (e.g. science education, social and economic science research and, international and intergovernmental science activities).

SUBJECT: Tennessee Valley Authority Construction Program

(\$ in Millions)

	1981	1982	1983	1984	1985	1986
<u>Expected Savings:</u>						
Current Base						
Borrowing	2044	2026	2000	1960	1900	1900
Outlays	2000	2000	2080	1960	1900	1900
Policy reduction						
Borrowing	-	-770	-920	-972	-1034	-1034
Outlays	-	-770	-920	-972	-1034	-1034
Reagan Budget						
Borrowing	2044	1256	1080	988	866	866
Outlays	2000	1230	1160	988	866	866

Change proposed:

TVA is currently engaged in a major program that by 1990 will increase generating capacity by more than 10,000 MW. With this addition, generating capacity will total more than 39,000 MW, 67 percent more capacity than the highest peak demand requirement ever experienced in the TVA system. Based on consideration of (1) TVA's conservation program, (2) conservation stimulus associated with rising electricity prices and (3) a declining rate of economic and electric demand growth since 1975, it appears the agency is overbuilding generating capacity by as much as 3,000 MW by 1990. Deferral of three plants would put construction back in line with growth projections and reduce borrowing requirements, i.e., rate payer burden, by \$6.5 billion through the 1980's.

February 10, 1981

Appalachian Regional Commission

SUBJECT: Economic Development

Expected Savings:

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	342.6	373.6	406.9	440.2	472.5	502.8
Outlays	329.0	334.2	364.0	394.0	424.0	450.0
Policy reduction						
Budget Authority	-120.0	-158.6	-172.9	-190.2	-202.5	-213.8
Outlays	- 5.0	- 63.2	-136.0	-158.0	-161.0	-176.0
Reagan Budget*						
Budget Authority	222.6	215.0	234.0	250.0	270.0	289.0
Outlays	324.0	271.0	228.0	236.0	263.0	274.0

* These amounts for the Appalachian highway program will be transferred to the Federal Highway Administration and funded out of the Highway Trust Fund.

Change proposed:

Funding for area (economic) development, research, and local development (planning) districts' support, and for the Federal share of the Commission's salaries and expenses will be eliminated. The impact of these programs on the overall condition of the Appalachian region's economic and social well-being is not identifiable.

NATIONAL ENDOWMENT FOR THE ARTS
NATIONAL ENDOWMENT FOR THE HUMANITIES

SUBJECT: Reducing Arts and Humanities Funding

Expected Savings:

National Endowment for the Arts

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	159	173	190	205	220	234
Outlays	154	167	175	189	206	217
Policy reduction						
Budget Authority	---	-85	-96	-105	-120	-134
Outlays	---	-46	-63	-95	-114	-120
Reagan Budget						
Budget Authority	159	88	94	100	100	100
Outlays	154	121	112	94	92	97

National Endowment for the Humanities

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	152	165	180	195	209	222
Outlays	155	163	181	196	210	218
Policy reduction						
Budget Authority	---	-80	-90	-98	-109	-122
Outlays	---	-39	-68	-98	-113	-120
Reagan Budget						
Budget Authority	152	85	90	97	100	100
Outlays	155	124	113	98	97	98

Change proposed: The Administration will propose to reduce the budget authority for the Arts and Humanities Endowments by 50% beginning in 1982 and "cap" them at a \$100 million level in 1984 (Arts) and 1985 (Humanities). During recent years, the Endowments have spread Federal support into an ever-wider range of cultural endeavor, promoting the notion that the Federal Government should be the financial patron of the first resort for both individuals and institutions engaged in artistic and cultural pursuits. The proposed reduction will enable private individual and corporate philanthropic activities to increase in importance.

CORPORATION FOR PUBLIC BROADCASTING

SUBJECT: Reducing Public Broadcasting Funding

Expected Savings:

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	162	172	172	183	198	211
Outlays	162	172	172	183	198	211
Policy reduction						
Budget Authority	---	-43	-52	-73	-98	-111
Outlays	---	-43	-52	-73	-98	-111
Reagan Budget						
Budget Authority	162	129	120	110	100	100
Outlays	162	129	120	110	100	100

Change proposed: The Administration will propose a 25 percent reduction in CPB funds in fiscal year 1982, directed primarily at administrative costs and national program production. This will give an opportunity for private and corporate donations to play a greater role in financing public television and allow support to local stations to be maintained. Additional reductions would be made in 1983 and 1984 so that the funding for CPB would level out at \$100 million in 1985.

SUBJECT: National Consumer Cooperative Bank

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Potential Reductions:</u>						
Current services...BA	122	136	160	185	185	200
base	0	136	128	178	175	190
Policy reduction...BA	-91	-136	-160	-185	-185	-200
	0	-82	-128	-178	-175	-190
Reagan level.....BA	31	--	--	--	--	--
	0	54	--	--	--	--

Change proposed:

The National Consumer Cooperative Bank (NCCB) was created in 1978 to provide credit, technical assistance, and, where necessary, subsidies to cooperatives serving consumers, e.g. food, medical and housing. It is proposed to close down the NCCB. It has never been demonstrated conclusively that lack of access to private capital for creditworthy cooperatives is as severe as claimed, or why a separate Federal entity is needed to provide it. Given the tax exempt status of cooperatives, it is difficult to justify further Federal assistance. Moreover, the Bank itself has been slow and inefficient in meeting its legislative mandate. Simply put, given the need for budgetary restraint the National Consumer Cooperative Bank is a low priority program, and the savings from closing it down can be put to better use to serve a broader cross section of the public.

ENVIRONMENTAL PROTECTION AGENCY

SUBJECT: WASTE TREATMENT GRANTS

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	3,305	3,610	3,940	4,260	4,570	4,865
Outlays	4,200	4,220	4,230	4,250	4,100	4,100
Policy Reduction						
Budget Authority	-1,000	-3,610	-1,540	-1,860	-2,170	-2,465
Outlays	0	-125	-1,045	-1,970	-1,960	-1,950
Reagan Budget						
Budget Authority	2,305	0	2,400	2,400	2,400	2,400
Outlays	4,200	4,095	3,185	2,280	2,140	2,150

Change proposed: This action rescinds \$1 billion in 1981 appropriations for EPA waste treatment grants and withdraws the \$3.7 billion requested for 1982, pending enactment of major reforms. These reforms will direct funds to projects with the greatest environmental benefits, allow a more efficient allocation of funds and preclude Federal funding for anticipated local community growth. Upon enactment, a lower funding level of \$2.4 billion will be requested for the first year following enactment of reforms--FY 1982 only if accepted reforms are enacted this session. This level is projected but not committed to for future year funding.

Subject: United States Postal Service

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current services						
BA	1,593	1,501	1,409	1,317	1,317	1,317
O	1,593	1,501	1,409	1,317	1,317	1,317
Policy reductions						
BA	-250	-632	-690	-765	-779	-779
O	-250	-632	-690	-765	-779	-779
Reagan level						
BA	1,343	869	719	552	538	538
O	1,343	869	719	552	538	538

Change Proposed:

The U.S. Postal Service currently receives a Federal subsidy equivalent to about 7% of its total operating budget. A total reduction of \$632M is recommended in FY 1982. This reduction affects two of the Federal subsidies currently paid to the Postal Service:

- Public Service Subsidy. Payments to offset the costs of maintaining services which are not self-sustaining and,
- Revenue Forgone Payments. Subsidies paid to provide free and reduced rates for certain classes of mail.

These reductions should result in a more efficient mail system since reduced subsidization would, in our view, encourage mailers and the Postal Service itself to operate more cost effectively.

SUBJECT: Compensation adjustment for unemployability

Expected Savings:

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	8,584	9,631	10,566	11,333	12,027	12,681
Outlays	8,492	9,449	10,478	11,257	11,954	12,604
Policy reduction						
Budget Authority	-27	-66	-81	-96	-110	-125
Outlays	-24	-61	-75	-88	-100	-115
Reagan Budget						
Budget Authority	8,557	9,565	10,485	11,237	11,917	12,556
Outlays	8468	9,388	10,403	11,169	11,854	12,489

Change Proposed:

Under current law, disabled veterans (or their survivors) receive compensation benefits based on degree of disability or, in the case of survivors, based on the rank of the deceased veteran. Differing payments are made to disabled veterans on the basis of degree of disability. If a veteran with a 60-90% disability is classified as "unemployable", however, the veteran's compensation is increased to the level of 100% disabled veterans. For those with a 60% disability, this results in an increase in annual compensation from \$4,404 to \$12,192.

Under current regulations, upgraded compensation for "unemployability" is not dependent on expectations about whether the veteran would be in the labor force but for his disability. As a result, nearly 36,000 veterans over the age of 62 are currently receiving this upgraded "unemployability" benefit. Under current law, any Social Security payments received by the veteran are not counted against this compensation amount.

Given present economic conditions, the "unemployability" classification for those eligible for retirement is insufficient justification for benefit awards which, when combined with Social Security benefits, provide an income level far in excess of national average per capita income. At a minimum, offsetting disability compensation by the amount of Social Security benefits received is justified to remedy this disparity.

SUBJECT: Cancellation or deferral of VA medical facility construction

<u>Expected Savings:</u>	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	424	424	424	424	424	424
Outlays	277	443	498	530	510	424
Policy reduction						
Budget Authority	-154	-106	+52	+46	0	0
Outlays	-32	-78	-87	-104	-33	+9
Reagan Budget						
Budget Authority	270	318	476	470	424	424
Outlays	245	365	411	426	477	433

Changes Proposed:

The VA currently plans to request \$6 billion (\$2.5 billion on a current services basis) over the next six years to finance major new construction or renovation projects at hospitals. Most VA hospitals are in overbedded areas. Although most VA hospitals are in much less-than-desirable shape physically, few projects are due to imminent hazards in existing structures, or to pressing need for additional VA bed capacity in the affected areas.

Significant savings could be achieved by cancelling or postponing several of these projects in the 1981-1982 fiscal years. A 21% reduction in the FY 1982 budget request, along with appropriate FY 1981 rescissions and deferrals, would delay several projects for two years, and permit the cancellation of a few controversial projects without jeopardizing the overall capability of the VA to meet its service commitments to veterans.

SUBJECT: Reduce interest rate subsidy on insurance loans

Expected Savings: (in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	1,175	1,202	1,212	1,214	1,221	1,196
Outlays	1,047	1,071	1,090	1,108	1,163	1,188
Policy reduction						
Budget Authority	-91	-96	-65	-41	-13	0
Outlays	-91	-96	-65	-41	-13	0
Reagan Budget						
Budget Authority	1,084	1,106	1,147	1,173	1,208	1,196
Outlays	956	975	1,025	1,067	1,150	1,188

Change Proposed:

The VA currently carries \$30 billion in insurance in force for eligible veterans. Those policies with a cash surrender value can be borrowed against by the insured at interest rates set by the Administrator.

Despite today's soaring interest rates, the VA has held the interest rate on policy loans to 5%, unchanged since the early '70's. This practice has dramatically expanded the amount of borrowing, from \$134 million in 1977 to over \$300 million this year (96,000 policy loans).

Encouraging over-borrowing by veterans through low interest rates is contrary to the best interest of the beneficiary, as the value of the insurance policy is greatly diminished in the event of the veterans death. Changing the terms of the policy loans from a flat rate to a floating rate 2% below prevailing market rates would still provide assistance to veterans requiring credit at an equitable interest rate, without encouraging wholesale cashouts of the value of veterans' life insurance policies.

SUBJECT: Beneficiary travel

Expected Savings: (in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	85	93	98	102	106	110
Outlays	85	93	98	102	106	110
Policy reduction						
Budget Authority	---	-35	-37	-38	-40	-41
Outlays	---	-35	-37	-38	-40	-41
Reagan Budget						
Budget Authority	76	58	61	64	66	69
Outlays	76	58	61	64	66	69

Change Proposed:

The VA currently provides reimbursement to veterans for actual or computed mileage cost of travel between the veteran's home and VA medical care facilities. The purpose is to eliminate travel costs as a barrier that prevents veterans from seeking needed care.

While it is reasonable to defray the cost of travel for service-disabled veterans and of ambulance service or special cross-country transport, it is unreasonable to assume that veterans cannot pay part of their transportation to receive free medical care. This proposal would establish a deductible of \$5. This would not pose an undue hardship on low-income veterans, or be a barrier to care.

SUBJECT: GI bill benefits for flight training and correspondence courses

<u>Expected Savings:</u>	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	2,040	1,658	1,320	1,059	848	658
Outlays	2,070	1,668	1,330	1,069	858	668
Policy reduction						
Budget Authority	---	-32	-28	-24	-20	-16
Outlays	---	-32	-28	-24	-20	-16
Reagan Budget						
Budget Authority	2,040	1,626	1,292	1,035	828	642
Outlays	2,070	1,636	1,302	1,045	838	652

Change Proposed:

Under the GI bill, veterans are entitled to support during participation in education programs designed to rapidly enhance their employability. In the past, this has been interpreted to include flight training programs and correspondence courses in various areas.

While the law prohibits courses that are avocational or recreational in nature, there is significant evidence that the great majority of entrants to flight training have this objective in mind. In any event, post-training employment enhancement has proven negligible.

A similar result was obtained from studies of veterans' performance in correspondence courses. Given the necessarily looser controls on measures of student progress in these programs, the poor post-training employment track record is understandable.

The last Congress enacted changes requiring student cost-sharing for participating in these programs. Nonetheless, it is estimated that 45,000 veterans will enroll annually in such programs, regardless of the impact on their subsequent employability. Given the relatively low payoff of these programs, eliminating both flight training and correspondence coursework would achieve significant savings without depriving veterans of access to educational programs that meet the original intent of the GI bill.

February 10, 1981

Civil Aeronautics Board

SUBJECT: Airline Subsidies

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Expected Savings:						
Current Base:						
Budget Authority.....	144	144	143	138	123	97
Outlays.....	148	144	143	139	124	99
Policy reduction:						
Budget Authority.....	--	-50	-35	-25	-15	+5
Outlays.....	--	-45	-35	-25	-15	+5
Reagan Budget						
Budget Authority.....	144	94	108	113	108	102
Outlays.....	148	99	108	114	109	104

Change Proposed:

Legislation will be submitted to eliminate the 406 airline subsidy program and to amend the 419 essential air service program, prohibiting any community newly entering the 419 program from receiving more in 419 subsidy than it had in direct or indirect 406 subsidy. The 406 program began in 1938 with the purpose of developing the U.S. airline industry. As the airline industry has expanded, the need for this type of financial assistance has disappeared. The purpose of the 419 subsidy program is to assure continued service to local communities which had airline service prior to airline deregulation.